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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
6- 67357

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2008 AND ENDING December 31, 2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: <u>ShP Securities, LLC</u>	OFFICIAL USE ONLY FIRM I.D. NO.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) <u>4275 Executive Square, Suite 1000</u> <u>La Jolla</u> <u>California</u> <u>92307</u> (City) (State) (Zip Code)	
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT <u>Timothy G. Malott</u> <u>(858) 587-9800</u> (Area Code - Telephone Number)	

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants
(Name - if individual, state last, first, middle name)

9221 Corbin Avenue Suite 170 Northridge CA 91324
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Timothy G. Malott, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ShP Securities, LLC, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of California
County of Los Angeles
Subscribed and sworn to (or affirmed) before me on this 6 day of March, 2009
by Timothy Malott
personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me

[Signature]
Notary Public

[Signature]
Signature
PRESIDENT / CEO
Title



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss)
- ☒ (d) Statement of Changes in Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report


Board of Directors
ShP Securities, LLC:

We have audited the accompanying statement of financial condition of ShP Securities, LLC (the Company) as of December 31, 2008, and the related statements of income, changes in member's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ShP Securities, LLC as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I, II, and III is presented for purposes of additional analysis and is not required as part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
March 9, 2009

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ShP Securities, LLC
Statement of Financial Condition
December 31, 2008

Assets

Cash and cash equivalents	\$ 9,090
Accounts receivable, net	23,977
Prepaid expense	105
Organization costs, net	<u>10,600</u>
	.
Total assets	<u>\$ 43,772</u>

Liabilities and Member's Equity

Liabilities

Accounts payable & accrued expenses	\$ 2,200
Income taxes payable	<u>900</u>

Total liabilities 3,100

Member's equity 40,672

Total liabilities and member's equity **\$ 43,772**

The accompanying notes are an integral part of these financial statements.

ShP Securities, LLC
Statement of Income
For the year ended December 31, 2008

Revenues

Success and retainer fees	\$ 560,893
Interest income	<u>13</u>
Total revenues	560,906

Expenses

Professional fees	44,106
Occupancy expense	2,400
Taxes, other than income taxes	5,556
Other operating expenses	<u>15,719</u>
Total expenses	<u>67,781</u>
Net income (loss) before income tax provision	493,125
Income tax provision	<u>1,700</u>
Net income (loss)	<u><u>\$ 491,425</u></u>

The accompanying notes are an integral part of these financial statements.

ShP Securities, LLC
Statement of Changes of Member's Equity
For the year ended December 31, 2008

	<u>Member's Equity</u>
Balance at December 31, 2007	\$ 103,213
Member's distributions	(568,450)
Member's contributions	14,484
Net income	<u>491,425</u>
Balance at December 31, 2008	<u><u>\$ 40,672</u></u>

The accompanying notes are an integral part of these financial statements.

ShP Securities, LLC
Statement of Cash Flows
For the year ended December 31, 2008

Cash flows from operating activities:

Net income (loss)		\$ 491,425
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization	\$ 865	
Reclassification of operating expense to capital contribution	3,019	
(Increase) decrease in:		
Accounts receivable	60,077	
Prepaid expenses	940	
(Decrease) increase in:		
Accounts payable & accrued expenses	(59)	
Income taxes payable	<u>900</u>	
Total adjustments		<u>65,742</u>
Net cash and cash equivalents provided by (used in) operating activities		557,167

Cash flows from investing activities:

Cash flows from financing activities:

Member's distributions	<u>(568,450)</u>	
Net cash and cash equivalents provided by (used in) financing activities		<u>(568,450)</u>

Net increase (decrease) in cash and cash equivalents **(11,283)**

Cash and cash equivalents at beginning of year **20,373**

Cash and cash equivalents at end of year **\$ 9,090**

Supplemental disclosure of cash flow information:

Cash paid during the year for		
Interest	\$ —	
Income taxes	\$ 800	

Non-cash disclosure:

During the year ended December 31, 2008 the Parent incurred a total of \$11,465 in organizational expense on behalf of the Company. The Parent also agreed to forego payment of \$3,019 in various other operating expenses. As a result, these costs are reflected as capital contribution.

The accompanying notes are an integral part of these financial statements.

ShP Securities, LLC
Notes to Financial Statements
December 31, 2008

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

ShP Securities, LLC (the "Company") is a California Limited Liability Company ("LLC") registered as a broker/dealer in securities under the Securities Exchange Act of 1934, as amended. The Company was organized on April 3, 2006. The Company is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Company is a corporate finance advisory firm, providing a range of merger and acquisition ("M&A") solutions for the business market. It does not carry security accounts for customers and does not perform custodial functions relating to customer securities.

The Company is a wholly-owned subsidiary of Shoreline Partners, LLC (the "Parent").

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Accounts receivable are recorded net of allowance for doubtful accounts. An allowance for doubtful accounts is considered necessary because probable uncollectible accounts are material. The company recorded \$5,000 as bad debt expense as of December 31, 2008.

Organizational costs, net are being amortized on a straight-line basis over 15 years.

The Company is treated as a disregarded entity for federal tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore no federal tax provision has been provided. However the Company is subject to a gross receipts fee in California in addition to the minimum California tax.

ShP Securities, LLC
Notes to Financial Statements
December 31, 2008

Note 2: ORGANIZATION COSTS, NET

Organization costs at December 31, 2008, are shown at net of accumulated amortization:

		<u>Amortization Periods</u>
Organization costs	\$ 12,979	15 years
Less accumulated amortization	<u>(2,379)</u>	
Organization costs, net	<u>\$ 10,600</u>	

Amortization expense for the year ended December 31, 2008, was \$865.

Note 3: INCOME TAX PROVISION

The Company is subject to a limited liability company gross receipts fee, with a minimum provision of \$800. At December 31, 2008, the Company recorded a gross receipts fee of \$900, and the minimum limited liability company income tax of \$800 for a total tax provision of \$1,700.

Note 4: RELATED PARTY TRANSACTIONS

During the fiscal year 2008, the Company entered into a month to month rental agreement with its Parent, whereby the Company pays the Parent for use of office space and general office services. During the year ended December 31, 2008, the Company incurred \$2,400 of expenses which is included in occupancy expense in the statement of income.

During the year ended December 31, 2008 the Parent incurred a total of \$11,465 in organizational expense on behalf of the Company. The Parent also agreed to forego payment of \$3,019 in various other operating expenses. As a result, these costs are reflected as capital contribution.

Agreements and transactions between related parties do not necessarily represent terms that might be negotiated between unrelated parties.

Note 5: COMMITMENTS AND CONTINGENCIES

Contingencies

The Company maintains a bank account at a financial institution. This account is insured by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000. Effective October 3, 2008, the FDIC insurance limit was increased to \$250,000. This new limit is applicable through December 31, 2009.

ShP Securities, LLC
Notes to Financial Statements
December 31, 2008

Note 5: COMMITMENTS AND CONTINGENCIES

(Continued)

At times during the year ended December 31, 2008, cash balances held in the financial institution were in excess of the FDIC insured limit. The Company has not experienced any losses in this account and management believes that it has placed its cash on deposit with a financial institution which is financially stable.

Note 6 : RECENTLY ISSUED ACCOUNTING STANDARDS

For the year ending December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following Financial Interpretation ("FIN") and Statements of Financial Accounting Standards ("SFAS") for the year to determine relevance to the Company's operations:

<u>Statement Number</u>	<u>Title</u>	<u>Effective Date</u>
FIN 48	Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109	After 12/15/07
SFAS 141(R)	Business Combinations	After 12/15/08
SFAS 157	Fair Value Measurements	After 12/15/07
SFAS 160	Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51	After 12/15/07
SFAS 161	Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133	After 12/15/08

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

ShP Securities, LLC
Notes to Financial Statements
December 31, 2008

Note 7 : NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2008, the Company had net capital of \$5,990, which was \$990 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$3,100) to net capital was 0.52 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Note 8: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$400 difference between the computation of net capital under net capital SEC Rule 15c3-1 and the corresponding unaudited Focus part IIA.

Net capital per unaudited schedule		\$ 5,590
Adjustments:		
Member's equity	\$ 400	
Total adjustments		<u>400</u>
Net capital per audited statements		<u><u>\$ 5,990</u></u>

ShP Securities, LLC
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2008

Computation of net capital

Member's equity		\$ 40,672
Less: Non-allowable assets		
Accounts receivable, net	\$ (23,977)	
Prepaid expenses	(105)	
Organization costs, net	<u>(10,600)</u>	
Total adjustments		<u>(34,682)</u>
Net capital before haircuts		5,990
Less: Haircuts and undue concentration		<u>—</u>
Net capital		5,990

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 207	
Minimum dollar net capital required	\$ 5,000	
Net capital required (greater of above)		<u>5,000</u>
Excess net capital		<u><u>\$ 990</u></u>

Ratio of aggregate indebtedness to net capital 0.52: 1

There is a \$400 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2008. See Note 8.

See independent auditor's report.

ShP Securities, LLC
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2008

A computation of reserve requirement is not applicable to ShP Securities, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

See independent auditor's report.

ShP Securities, LLC
Schedule III - Information Relating to Possession or Control
Requirements Pursuant to Rule 15c3-3
As of December 31, 2008

Information relating to possession or control requirements is not applicable to ShP Securities, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

See independent auditor's report.

ShP Securities, LLC
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2008

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Board of Directors
ShP Securities, LLC:

In planning and performing our audit of the financial statements of ShP Securities, LLC (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
March 9, 2009

**SEC
Mail Processing
Section**

MAR 1 02009

**Washington, DC
101**

ShP Securities, LLC

Report Pursuant to Rule 17a-5 (d)

Financial Statements

For the Year Ended December 31, 2008